

WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 1.22.2010

MESSAGING RESOURCES/POLLING UPDATE

The Administration's Proposal To Break Up Big Banks Is Redundant. The Federal Deposit Insurance Act already provides authority for regulators to restrict the growth of a financial institution if it is engaging in unsafe and unsound practices. In addition, similar restrictions are already authorized in the Wall Street Reform and Consumer Protection Act that was passed by the House on December 12, 2009. The legislation gives regulators broad authority to limit the scope and size of activities at the nation's largest banks. It grants a new "Financial Services Oversight Council" the authority to force financial firms that are deemed systemically risky to sell certain assets and break up its business segments, even if it is healthy and well-capitalized.

Government Does Not Always Know Best. The President's proposal marks yet another policy shift, and appears to be motivated more by political than policy considerations. The Administration's broad but as yet undefined plan - which moves in the direction of reinstating Depression-era restrictions on banks' activities - does not enjoy unified support, even within the President's own administration:

Tim Geithner: "Actually, I would not support reinstating Glass- Steagall. And I don't actually believe that the end of Glass-Steagall played a significant role in the cause of this crisis." (11/19/2009)

Ben Bernanke: "There`s a sense here [that] returning to Glass-Steagall and separating these market-making activities from commercial lending, I think that kind of movement would not be constructive." (11/16/2009)

Barney Frank: "There was the passage of the Gramm-Leach-Bliley Act in 2000, a bipartisan product of the Clinton Administration and a Republican Congress. I voted against it. But I do not think that was the major cause of our problem."

Democrats' Agenda Continues To Create Uncertainty That Is Paralyzing Economic Activity And Killing Jobs. The Democrats' ever changing agenda is creating an uncertain and conflicting regulatory environment that is discouraging financial institutions from lending and small businesses owners from investing and opening a new business or expanding. Financial institutions and small businesses not only have to worry about tax increases, but also changes to a government run health care system, the creation of a so-called consumer financial protection agency, and a cap and tax energy policy. In addition, the Administration continues to change its position on financial regulatory reform. The Democrats' misguided agenda is having a chilling impact on our economy and killing jobs.

Polling:

Rasmussen: "Just 21% Favor Bernanke's Reappointment As Fed Chairman...Ben Bernanke begins the formal process tomorrow for confirmation to a second term as chairman of the Federal Reserve Board, but 41% of Americans think President Obama should name someone new to the post."

ON THE HORIZON

Saturday, January 23: The Housing Subcommittee will convene a field hearing entitled, "The Impact of the Foreclosure Crisis on Public and Affordable Housing in the Twin Cities," at 12 pm in Minneapolis, MN.

Wednesday, January 27: The International Monetary Policy Subcommittee will convene for a hearing entitled, "The State of Global Microfinance: How Public and Private Funds Can Effectively Promote Financial Inclusion for All" at 2 pm in room 2128 Rayburn.

WEEKEND MUST-READS

Reuters: "Key House Republicans seeks to cut pay for Fannie Freddie execs ... A group of top Republicans on the House Financial Services Committee want to slash the pay of executives at mortgage giants Fannie Mae and Freddie Mac by 97 percent."

Wall Street Journal: "AIG Tries to Defuse Bonus Pay Showdown ... American International Group Inc. is seeking to reduce and pay out early a batch of retention payments to employees at its financial products division, as the insurer tries to defuse a potential showdown over the bonuses, according to people familiar with the matter."

Wall Street Journal: "Let Wall Street run wild, without my money ... It's bonus time, Wall Street's days of wine and roses, when employees find out how rich they're going to be. But this year's bonus season has morphed into days of whines and poses."

Wall Street Journal: "FHA to Lift Mortgage Insurance Fees ... The Federal Housing Administration will announce more-stringent lending requirements and higher borrower fees on Wednesday to cushion against rising defaults and stave off the need for a taxpayer bailout of the agency."

NY Times: "Banks See a Leveling Off in Bad Consumer Loans ... Since the financial crisis hit, banks have chipped away at the mountain of mortgages and credit card debt looming over struggling Americans. At last, those efforts appear to be paying off, at least for the banks."

USA Today: "Impact of tighter FHA mortgage rules on home loans debated ... Tighter lending requirements for loans insured by the Federal Housing Administration may leave some borrowers unable to get mortgages, but economists are divided on the impact they could have on housing's recovery."

Bloomberg: "AIG Took Four Tries on Filing as Fed Asked to Withhold Data ... American International Group Inc. submitted four rounds of regulatory filings in six months, with more than 1,000 redactions, as the Federal Reserve Bank of New York pressed the insurer to withhold data about bailout payments to banks."

Wall Street Journal: "Fannie, Freddie Losses May Hit U.S. ... The U.S. government's move to deepen its ties to mortgage-finance giants Fannie Mae and Freddie Mac by agreeing to absorb unlimited losses for the next three years is igniting a debate over whether it should bring the business operations of the companies onto its books."

COMMITTEE REPUBLICANS IN THE NEWS

Rep. Jeb Hensarling appeared on CNBC to discuss the economy and issued the following press releases: Hensarling Opening Statement At Today's House Financial Services Subcommittee Hearing; Hensarling Statement On Administration Bank Break-up Proposal; Hensarling Statement On Budget Treatment of Fannie Mae & Freddie Mac; Hensarling Calls For Fannie Mae & Freddie Mac Compensation Oversight

Rep. Scott Garrett issued this press release: Garrett Response to Obama's Big Bank Plan: How About Fannie and Freddie?

Rep. Tom Price issued this press release: Price Statement on Obama Plan for Greater Government Intervention into Financial Markets

Rep. Spencer Bachus issued these press releases: Bachus: Taxpayers Deserve To Know Why Executives At Two Government-Owned Entities, Fannie Mae and Freddie Mac, Are Receiving \$6 Million Pay Packages; Bachus Statement On Administration's Financial Regulation Proposal; Committee Republican Leadership: Reduce Pay For Fannie And Freddie Executives, Protect Taxpayers; Response To Democrats Inaccurate Information Regarding Executive Compensation Bill

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